

copy of Parent underwriting
consolidated accounts for
information only

Parent for: 2989725.



Elysium Healthcare Holdings 2 Limited
Annual report and financial statements
For the year ended 31 December 2019

Registered number: 10419351

FRIDAY



AA031I48

A03

12/03/2021

#64

COMPANIES HOUSE

Elysium Healthcare Holdings 2 Limited
Annual report and financial statements for the year ended 31 December 2019
Company information

Directors Joy Chamberlain
Quazi Haque
Steven Woolgar
Keith Browner (appointed 1 May 2019)

Company secretary Sarah Livingston

Registered number 10419351

Registered office 2 Imperial Place
Maxwell Road
Borehamwood
WD6 1JN

Auditor Deloitte LLP
Statutory Auditor
London
EC4A 3TR

Elysium Healthcare Holdings 2 Limited
Annual report and financial statements for the year ended 31 December 2019
Table of Contents

	Page
Strategic report	2
Directors' report	10
Statement of directors' responsibility	12
Independent auditor's report	13
Consolidated profit and loss account	16
Consolidated balance sheet	17
Company balance sheet	18
Consolidated statement of changes in equity	19
Company statement of changes in equity	19
Consolidated statement of cash flows	20
Notes to the consolidated financial statements	22

Elysium Healthcare Holdings 2 Limited
Strategic report
For the year ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019. This strategic report has been prepared for the Elysium Healthcare Holdings 2 Limited and its subsidiaries ("the group" or "Elysium"), and therefore gives greater emphasis to those matters which are significant to the group as a whole.

Principal activities

The principal activity of the company is to act as a holding company. The principle activity of the group is the provision of mental health services, including acute, secure, child and adolescent mental health services ("CAMHS"), rehabilitation, and complex community and neurological services, predominantly to the National Health Services (NHS) in England and Wales.

The group is ultimately owned and controlled by funds advised by BC Partners, whose majority holding is owned by P. Health S.à.r.l. These consolidated statutory accounts for the year ending 31 December 2019 have been prepared for Elysium Healthcare Holdings 2 Limited to satisfy banking obligations. The group's immediate parent company, Elysium Healthcare Holdings 1 Limited, has similarly prepared consolidated financial statements.

Business review

The group is one of the largest providers of mental health care, as well as neuro and complex community care services, in the United Kingdom, offering care and support to 1,566 patients (2018: 1,470) across 65 trading sites (2018: 61). The group's turnover was principally derived from the provision of mental health care and other services to individuals for varying periods of stay, which have been individually agreed and put in place with NHS England, NHS Wales or Clinical Commissioning Groups ("CCGs"). In addition, and provided the group hits certain performance and qualitative performance related criteria, NHS England will provide commissioning for quality and innovation payments ("CQUIN").

The Elysium brand has become well-recognised and respected within the healthcare market. The group ensures that its employees and clinicians are aligned to a set of values:

- Innovation
- Empowerment
- Collaboration
- Integrity
- Compassion

These values seek to put the patient and service user at the heart of everything Elysium does and to deliver individualised, evidence-based care so that patients can move through pathways of care as their needs change. Elysium is committed to making carers an active part in each patient's recovery process and to helping everyone reach the end goal of more independent living.

In addition to providing a quality service to patients, a strategic aim of the group and its shareholders is to acquire new businesses or to develop existing sites. Such acquisitions and developments allow the group to expand its geographical reach across the country, whilst at the same time, being able to provide both a continuous care pathway and more diverse services to its patients. Whilst there were no acquisitions during the current year, the acquisitions during 2018 were successfully integrated into the Elysium network during 2019.

The group and the individual financial statements of Elysium Healthcare Holdings 2 Limited have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standards 102 *The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland* ("FRS 102") and the Companies Act 2006.

Elysium Healthcare Holdings 1 Limited
Strategic report
For the year ended 31 December 2019 (continued)

Wates Corporate Governance Principles

Applicable from the current year, and in accordance with The Companies (Miscellaneous Reporting) Regulations 2018, the group has applied the Wates Corporate Governance Principles for Large Private Companies as published by the Financial Reporting Council ("FRC") in December 2018 (and available on the FRC website). The group applies the principles to its arrangements, as detailed below.

Purpose and leadership

The group has a clear and articulated purpose to provide the right care at the right time in the right place and to uphold the values of the group. The purpose and values are articulated to internal and external stakeholders, including the workforce, through a variety of evidence-based channels. Elysium's values have been developed in conjunction with executive management, its workforce, its service users and its external customers to ensure everyone works together to uphold them.

Board composition

The Board of the company's holding company, Elysium Healthcare Group Limited, oversees the governance of the entire Elysium group. It is currently comprised of two independent directors (including an Independent Chairman), two Investor Directors, three Executive Directors and a Company Secretary. This size and composition is deemed appropriate to the group's business. The group has a separate Chairman and Chief Executive to ensure that the balance of responsibilities, accountabilities and decision making across the group are effectively maintained. Training is provided to new directors and a programme of site visits by the whole Board is undertaken each year (refer below).

Directors' responsibilities

Good governance supports open and fair business, it ensures that the company has the right safeguards in place and it makes certain that every decision is underpinned by the right considerations. Whilst Board oversight is always maintained, key decisions are made by the individuals and committees with the most appropriate expertise. Elysium has three Board Committees: an Audit Committee, a Remuneration Committee and a Quality & Risk Committee. Terms of reference for the Board and Committees have been recently reviewed. All committees are chaired by independent members of the Board.

The Board receives regular information (which is at least monthly) on all key aspects of the business, including financial, operational, clinical and regulatory updates. Key financial information is collated from the group's accounting systems. The group's finance function is appropriately qualified to ensure the integrity of this information. Financial information is currently externally audited by Deloitte LLP on an annual basis.

Opportunity and risk

The Board is updated on a monthly basis through written papers and meetings on opportunities to both create and preserve value and risks, and risk mitigation. Elysium has invested heavily since its formation to create a long-term sustainable proposition for all stakeholders: service users, staff, customers and shareholders. Risk is managed through the Quality and Risk Committee and the 'Ward to Board' reporting structure. Management risk is one of the key elements to the governance strategy of the group. The Strategic Report includes the key risks which are monitored by the Board.

Remuneration

A Remuneration Committee sits as an independent committee of the Board and is chaired by the Independent Chairman. Senior management remuneration is set by the Remuneration Committee, and benchmarking of such remuneration is undertaken regularly. Bonus targets and payments are aligned with the group's values and reflect group performance. The directors' remuneration is disclosed in note 9.

Elysium Healthcare Holdings 1 Limited
Strategic report
For the year ended 31 December 2019 (continued)

Wates Corporate Governance Principles (continued)

Stakeholder relationships and engagements

The Executive Directors have direct contact with the workforce, service users, customers and investors on a regular basis. A series of formal and informal visits to sites takes place, with additional ad hoc visits also made. Visits are tracked and reviewed on a regular basis by the senior management team. The Board makes a formal visit to at least one site each year and new members of the Board have site visits as part of their induction. Senior management review staff surveys and exit surveys on a regular basis.

The group publishes its Gender Pay Gap Report each year in line with legislation. The group holds a bronze 'Investors in People' award.

Section 172 of the Companies Act 2006

The Wates Corporate Governance Principles for Large Companies provides a framework for the group to not only demonstrate how the Board makes decision for the long term success of the company and its stakeholders (refer above), but also having regard to how the Board ensures that the group complies with Section 172 of the Companies Act 2006.

Throughout 2020 the Board will continue to review and challenge how the group can improve engagement with its employees and stakeholders.

Elysium Healthcare Holdings 1 Limited
Strategic report
For the year ended 31 December 2019 (continued)

Consolidated income statement

The group's results for the year are summarised below:

	2019 £'m	2018 £'m
Turnover	284.8	232.4
EBITDAR	50.5	40.5
Less: Ground rent	(2.6)	(2.0)
Amortisation of intangible assets	(22.1)	(19.7)
Impairment of intangible assets	(14.0)	-
Depreciation of tangible assets	(14.7)	(12.8)
Non-operating & non-recurring items	(10.7)	(5.4)
Operating (loss)/profit per financial statements	(13.6)	0.6

Turnover for the year was £284.8 million (2018: £232.4 million) and arose predominantly from the provision of mental health services to patients for either NHS England or CCGs. Earnings before interest, tax, depreciation, amortisation and rent ("EBITDAR") was £50.5 million (2018: £40.5 million). At the end of the year, the group had 1,905 beds (2018: 1,745) available, with an average occupancy of 83.3% (2018: 84.2%) during the year.

Consolidated balance sheet

Goodwill and intangible assets amount to £368.9 million (2018: £400.8 million). The movement during the year predominantly comprises amortisation and impairment charges, net of additions of £4.2 million.

Tangible assets of £256.7 million (2018: £234.4 million) include £225.8 million (2018: £206.5 million) in respect of land and buildings. During the year, the group acquired £37.1 million (2018: £54.9 million) of property, plant and equipment. The prior year amount included £36.4 million arising from acquisitions of subsidiaries.

The group has a term loan facility of £275.0 million (2018: £275.0 million) and a revolving facility commitment of £55.0 million (2018: £55.0 million). £313.1 million (2018: £286.8 million) of the facilities were drawn down at year end. The terms of the facilities are to April 2025. The group's total debt, comprising borrowings, shareholder debt and finance leases, totalled £522.5 million (2018: £489.3 million) at year end. Borrowings comprise £307.7 million (2018: £280.3 million) of bank debt (as detailed above), net of unamortised arrangement fees. Shareholder debt comprises £33.7 million (2018: £30.5 million) of 10% loan notes and a £54.9 million (2018: £51.9 million) intergroup loan which accrues interest at LIBOR plus 5.25%. The loan notes are not redeemable until November 2026. Finance leases creditors comprise of a present value of £130.9 million (2018: £131.0 million) repayable over 125 years from 2016. Further details of the group's debt arrangements are set out in note 20 to the accounts.

Consolidated cash flow statement

The group's cash balance at the end of the year is £2.1 million (2018: £8.1 million). The operating cash generated before movements in working capital totalled £37.2 million (2018: £33.1 million). Cash generated from operations was £30.6 million (2018: £37.1 million).

Capital expenditure during the year was £37.1 million (2018: £18.5 million). During the prior year, acquisitions of subsidiary companies cost the group £102.1 million, and a further £3.8 million of deferred considerations in respect thereof was paid during the current year. The acquisitions during the prior year were funded through a combination of shareholder equity of £42.1 million, bank debt of £279.0 million, and sale and leaseback transactions of £29.9m. £26.4 million was drawn down on the group's revolving credit facility during the current year.

Elysium Healthcare Holdings 1 Limited
Strategic report
For the year ended 31 December 2019 (continued)

Principal risks and uncertainties

Below are the principal risks and uncertainties to which the group is exposed. There exist no significant changes in these risks and uncertainties from the prior year.

Regulatory risks

The results of the group are subject to the regulatory environment and costs of compliance related to health and safety, quality of care, the storage and distribution of controlled drugs and medicines, the disposal of hazardous waste and data protection. The group's sites are subject to regular review by the Care Quality Commission ("CQC") and the Health Inspectorate Wales, and could be closed if compliance with their guidelines cannot be demonstrated. As a leading provider of mental health services in the United Kingdom, the group is well-placed to respond to, and comply with, regulatory changes through dedicated regulatory and compliance teams.

The group receives, generates and stores volumes of personal data containing patients' personal and medical information. The group is therefore subject to the privacy laws with respect to the use, transfer and disclosure of this data. A failure to adequately safeguard confidential patient information could result in significant fines, penalties and litigation. The group believes that it has adequate safeguards in place to mitigate this risk.

NHS contracts

The NHS contracts under which the group operates are relatively standard and subject to annual review with each body. These provide clear benefits to the group, both in terms of income stability and visibility. However, as with any system, there could be modifications, potentially through the introduction of a new contract structure or the services that are sought by the NHS from service providers like Elysium. The extent of any such modifications could have a favourable or adverse impact on the group. The group maintains a close dialogue with the both the NHS and the government in developing care programmes so that appropriate changes to the group's services, if required, can be made in a timely manner.

Doctors, clinicians and other qualified staff

The group requires skilled doctors, psychologists, clinicians and nurses in order to care for its growing patient base. The expansion of the European Union over recent years has increased the supply of clinicians and other qualified staff available to the group, apart from EU-registered nurses whose qualification is not permitted in the UK without further training. The directors recognise the importance of quality doctors and clinicians for ensuring the continued success of the group. The group manages the risk associated with the supply of doctors, clinicians and nurses through training and development programmes to enhance retention, and a recruitment strategy to ensure that the growth in patient numbers can be accommodated. The UK's decision to withdraw from membership of the EU may impact the supply of doctors and clinicians in the future and, whilst the impact on the group is not considered to be material due to the fact that the workforce does not contain a significant number of EU nationals, the group continues to monitor developments.

The group continues to invest in improving pay structures and incentivisation for nurses and other clinical staff and continues to review the impact of changes resulting from the introduction of the Apprenticeship Levy and future increases to the National Living Wage upon its staffing structures.

Impact of Brexit

As discussed above, Brexit is expected to have an immaterial impact on the group's labour supply as the workforce does not contain a significant number of EU nationals. There does remain, however, continued uncertainty regarding changes to the UK's trading arrangements, customs agreements and tariffs post-Brexit. The group has considered the impact of a potential Brexit scenario and understands the impact on the business to predominantly be an increased cost of food and pharmaceuticals expected to impact the industry as a whole. Any currency devaluation would further cause the costs of imported medical supplies to increase. Developments continue to be monitored.

Elysium Healthcare Holdings 1 Limited
Strategic report
For the year ended 31 December 2019 (continued)

Principal risks and uncertainties (continued)

Covid-19/Coronavirus

The coronavirus pandemic – labelled as such by the World Health Organisation on 11 March 2020 – has had a significant impact around the world. Being within the healthcare industry however, the group is financially less exposed to the threat which the virus presents to some other companies within the economy. The group's principal risks as a result of Covid-19 are around the likelihood of the coronavirus entering the group's sites and the availability of its staff.

The group has taken various steps to prevent Covid-19 from entering its hospitals and care homes. Visits to services are restricted to only those of an essential nature in line with government policy, hand hygiene is strictly enforced, and there exist significantly enhanced cleaning routines. Specialist protective equipment has been distributed to all of the group's sites. In the event that patients and/or staff do become infected, the group has contingency plans in place to ensure containment and prevent further spreading.

With the majority of the group's employees being frontline health and social care staff, they are regarded as 'key workers'. Accordingly, the group does not foresee a shortage in staff availability unless such doctors, nurses and healthcare workers become ill. In the event that staff do fall ill, their positions are being backfilled by agency workers (of which there is no shortage).

There exist no other specific resources, assets or relationships which the group considers to be at risk. The financial implications are constantly considered and managed by the group. The group continues to trade well and, as mentioned in the 'Credit risk' section below, a significant portion of the group's revenue is generated by the National Health Service. The NHS has provided additional support to the group during this pandemic, and steps have been taken to bolster liquidity and reimburse Covid-19 related costs. Further detail is set out in the going concern section below.

Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the group's risk management framework. The group's activities expose it to a variety of financial risks: credit risk, liquidity risk, market (including currency and interest rate risk) and inflation risk.

Inflation risk

Inflation risk is the risk that the cost of key services and products procured by the group will rise with inflation and affect the group's income. The rates paid under the terms of the group's NHS contracts are generally reviewed on an annual basis and may or may not be in line with the consumer price index.

The group undergoes a regular review of key suppliers through its procurement programme to mitigate cost increases, using tendering processes where possible. In addition, the group seeks to rationalise its supplier base to benefit from its scale.

Credit risk

Credit risk is the risk of financial loss to the group if a customer fails to meet its contractual obligations. The nature of the group's contracts with the NHS means that credit risk is minimised for a significant proportion of group revenue.

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without unacceptable losses or risking damage to the group's reputation.

The group monitors its cash flow forecasts on a weekly basis and currently maintains funds on demand to meet all operational expenses, including the servicing of financial obligations. Further details of the group's bank facilities and other borrowings are set out in note 21.

Elysium Healthcare Holdings 1 Limited
Strategic report
For the year ended 31 December 2019 (continued)

Financial risk management (continued)

Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect the group's income or costs. The group has policies and procedures in place to mitigate the impact of fluctuations in interest rates and, in particular, to provide reasonable certainty over the group's cash flows through the use of interest rate swaps. The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls to monitor both the risks and adherence to limits set. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities.

Key performance indicators

The key performance indicators set out in the table below are fundamental to the group, and assist management in achieving the group's business plans, strategic aims and various objectives.

	2019	2018
Turnover (£'m)	284.8	232.4
Gross margin %	26.8%	28.5%
EBITDAR (£'m)	50.5	40.5
Net bank debt (£'m)	305.6	272.2
Number of operating sites	65	61
Number of sites in development	2	5
Available beds	1,905	1,745
Average occupancy	83.3%	84.2%

Going concern

The consolidated financial statements have been prepared on a going concern basis, which the directors consider to be appropriate, having given due consideration to current trading forecasts and the various facilities available to the group.

In making this assessment, the directors have taken into account the potential impact of the coronavirus pandemic. The group has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographical areas. There will always be a demand for mental healthcare; and with the group being within the healthcare industry (as opposed to other industries within the economy), the recent outbreak of the coronavirus pandemic is not expected to have a negative impact on the group's results. The National Health Service, the group's largest customer, has provided additional support to the group during this pandemic, and steps have been taken to bolster liquidity and reimburse Covid-19 related costs. Occupancy numbers continue to increase, and staffing levels have been maintained due to the large supply of agency workers to which the group has access. As a consequence, the directors believe that the group is well-placed to manage its business risks successfully despite the current uncertain economic outlook.

The group meets its day to day working capital requirements through cash generated from operations and its borrowing facilities. As at 31 December 2019, the group had a cash balance of £3.2 million. Drawn bank debt at year end was £313.1 million, which falls due for repayment on 30 April 2025. Subsequent to the year-end, £16 million was raised by way of a lease variation transaction and £9 million of the revolving credit facility has been drawn in order to bolster cash reserves and ensure adequate liquidity during the pandemic. The group will continue to invest in the estate over the next twelve months, including the completion of three new hospitals, but nevertheless forecasts the minimum cash balance to be £16 million at any given point in time over the next twelve month period.

Elysium Healthcare Holdings 1 Limited
Strategic report
For the year ended 31 December 2019 (continued)

Going concern (continued)

In considering the forecast trading performance of the group, the directors have considered the impact of the coronavirus pandemic. The assessment made recognises the inherent uncertainty associated with any forecasting at the present time, and, whilst the directors believe that trading performance will remain robust, the scenarios prepared have included consideration of the impact of, specifically, the following on the group's forecast trading performance; none of which resulted in any significant adverse impact thereon:

- Occupancy levels
- Availability of staff
- Any possible changes to the regulatory and legislative environment
- Business continuity as a result of non-clinical staff engaging in remote working
- Changes in credit risk and working capital (continuation of payment to terms and/or enhanced terms from funders)

In assessing the appropriateness of the going concern assumption, the directors have considered the ability of the group to meet the debt covenants. The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group is able to operate comfortably within the level of its current facilities and meet its debt covenant obligations.

Sensitivities have been modelled to understand the impact of the various risks outlined above on the group's debt covenants. EBITDA, for example, will need to drop by over 20% before engaging in any action to mitigate the decline in order to breach the leverage covenant. Given the current demand for services across the group at the date of this report, the assumptions in these sensitivities, when taking into account the factors set out above, are considered to be highly unlikely to lead to a debt covenant breach.

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future and that it remains appropriate to continue to adopt the going concern basis in preparing the annual report and financial statements

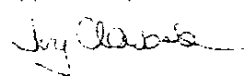
Future outlook and strategy

The directors believe that the group continues to be well-positioned to take advantage of further opportunities.

In particular, the group will continue to focus on delivering growth through:

- delivering high quality care and promoting the highest clinical standards
- investing in the equipment and buildings of its estate
- optimising delivery of its existing NHS contracts
- building new facilities either on existing sites or at new sites
- exploring opportunities to grow or diversify revenues through tendering for new contracts and providing new or differentiated services to the NHS
- leveraging the investment in the Elysium Healthcare brand to attract new patients, increase brand recognition and expand its service offering
- implementing improved systems and processes to increase productivity, efficiency and oversight
- using the size of its portfolio and systems to procure materials and services more efficiently and effectively

Approved by the Board and signed on its behalf by:



Joy Chamberlain

Director

27 April 2020

Elysium Healthcare Holdings 2 Limited
Directors' report
For the year ended 31 December 2019

The directors present their annual report on the affairs of the group, together with the financial statements and audit report, for the year ended 31 December 2019.

The strategic report includes a review of the group and company's business, future developments and a description of the principal risks and uncertainties facing the group and company as required by section 414C(11) of the Companies Act 2006.

Dividends

The directors do not recommend the payment of a dividend (2018: £nil).

Directors

The directors who served during the year and up to the date of signing the financial statements were as follows:

Joy Chamberlain
Quazi Haque
Steven Woolgar
Keith Browner (appointed 1 May 2019)

Directors' indemnities

The group has made qualifying third party indemnity provisions for the benefits of its directors, which were made during the period and remain in force at the date of this report.

Employee involvement

Elysium nurtures commitment and excellence in its staff by encouraging the active involvement of all staff at all levels in the organisation's primary objective of improving patient care. Staff are encouraged to continually strive for improvements in all aspects of the business and to be active members of the teams in which they work. All levels of staff are encouraged to engage in events held across the UK, to link in with patients and family, and to actively contribute to the group. The group gives two-way internal communication high priority, with a ward to board governance structure; feedback is actively sought.

Elysium continually strives to achieve higher levels of staff retention, to promote equality and diversity in its workforce, and to support self-development when consistent with the group's objectives.

Disabled employees

Elysium recognises that it has clear obligations towards all its employees and the community at large to ensure that people with disabilities are afforded equal opportunities to enter employment and to progress within the group.

In addition to complying with the requirements of the Equality Act 2010, Elysium has established procedures designed to provide for fair consideration and selection of disabled applicants and to satisfy their training and career development needs. Where employees become disabled in the course of their employment, the group attempts to ensure they remain in employment by making reasonable adjustment to accommodate their disability.

Elysium Healthcare Holdings 2 Limited
Directors' report
For the year ended 31 December 2019 (continued)

Post balance sheet events

Details of events subsequent to the balance sheet date are disclosed in note 29 to the financial statements.

Independent auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by:



Sarah Livingston
Company Secretary
27 April 2020

Elysium Healthcare Holdings 2 Limited
Statement of directors' responsibilities
For the year ended 31 December 2019

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Elysium Healthcare Holdings 2 Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Elysium Healthcare Holdings 2 Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated profit and loss account;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 31.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Independent auditor's report to the members of Elysium Healthcare Holdings 2 Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Independent auditor's report to the members of Elysium Healthcare Holdings 2 Limited
(continued)**

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kate Darlison

Kate Darlison, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London
EC4A 3TR
United Kingdom
27 April 2020

Elysium Healthcare Holdings 2 Limited
Consolidated profit and loss account
For the year ended 31 December 2019

		2019	(Restated) 2018
	Notes	£'000	£'000
Turnover	5	284,751	232,397
Cost of sales		<u>(208,549)</u>	<u>(166,167)</u>
Gross profit		76,202	66,230
Administrative expenses		(89,821)	(65,644)
Operating (loss)/profit	6	<u>(13,619)</u>	<u>586</u>
Interest payable and similar expenses	10	(30,477)	(35,533)
Loss before taxation		<u>(44,096)</u>	<u>(34,947)</u>
Taxation	11	5,232	3,290
Loss for the year		<u>(38,864)</u>	<u>(31,657)</u>

There were no recognised gains and losses for the year other than those included in the consolidated profit and loss account.

All amounts relate to continuing operations.

The prior year taxation amount has been restated. Refer to note 25 for further details.

The notes on pages 22 to 45 form part of these consolidated financial statements.

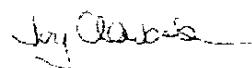
Elysium Healthcare Holdings 2 Limited
Consolidated balance sheet
As at 31 December 2019

		2019	(Restated) 2018
	Notes	£'000	£'000
Fixed assets			
Intangible assets	12	368,907	400,764
Tangible assets	13	256,669	234,363
Non-current assets			
Derivative financial instruments	14	104	1,413
Debtors	16	1,100	1,100
Current assets		32,542	32,562
Stock	17	443	331
Debtors	18	29,972	24,103
Cash at bank and in hand		2,127	8,128
Creditors: amounts falling due within one year	19	(31,968)	(27,100)
Net current assets		574	5,462
Total assets less current liabilities		627,354	643,102
Creditors: amounts falling due after more than one year	20	(522,548)	(489,319)
Provisions for liabilities	21	(69,312)	(79,425)
Net assets		35,494	74,358
Capital and reserves			
Called up share capital	23	120,720	120,720
Profit and loss account	24	(85,226)	(46,362)
Shareholder's funds		35,494	74,358

Refer to page 17 for the financial result and position of the parent company. The company's registered number is 10419351.

The prior year balance sheet has been restated. Refer to note 25 for further details.

The financial statements were approved and authorised by the Board and were signed on its behalf on 27 April 2020.



Joy Chamberlain
Director

The notes on pages 22 to 45 form part of these consolidated financial statements.

Elysium Healthcare Holdings 2 Limited
Company balance sheet
As at 31 December 2019

	Notes	2019 £'000	2018 £'000
Non-current assets			
Fixed asset investments	15	120,720	120,720
Debtors	16	88,550	82,419
Current liabilities			
Creditors	19	(85)	(117)
Total assets less current liabilities		209,185	203,022
Creditors: amounts falling due after more than one year	20	(88,550)	(82,419)
Net assets		120,635	120,603
Capital and reserves			
Called up share capital	23	120,720	120,720
Profit and loss account	24	(85)	(117)
Shareholder's funds		120,635	120,603

The company has taken exemption from the requirement to publish a separate profit and loss account, as set out in section 408 of the Companies Act 2006. The company's registered number is 10419351.

The company made a profit during the financial year of £32,000 (2018: loss of £28,000).

The financial statements were approved and authorised by the Board and were signed on its behalf on 27 April 2020.



Joy Chamberlain
Director

The notes on pages 22 to 45 form part of these consolidated financial statements.

Elysium Healthcare Holdings 2 Limited
Statements of changes in equity
For the year ended 31 December 2019

	Called up share capital £'000	(Restated) Profit and loss account £'000	Total shareholder's funds £'000
Group			
At 1 January 2018	78,635	(14,705)	63,930
Shares issued during the year	42,085	-	42,085
Loss for the year	-	(31,657)	(31,657)
As at 31 December 2018	120,720	(46,362)	74,358
Loss for the year	-	(38,864)	(38,864)
As at 31 December 2019	120,720	(85,226)	35,494
Company			
At 1 January 2018	78,635	(89)	78,546
Shares issued during the year	42,085	-	42,085
Loss for the year	-	(28)	(28)
As at 31 December 2018	120,720	(117)	120,603
Profit for the year	-	32	32
As at 31 December 2019	120,720	(85)	120,635

The prior year group profit and loss account has been restated. Refer to note 25 for further details.

The notes on pages 22 to 45 form part of these consolidated financial statements.

Elysium Healthcare Holdings 2 Limited
Consolidated statement of cash flows
For the year ended 31 December 2019

	2019	(Restated) 2018
	£'000	£'000
Cash flow from operating activities		
Loss for the financial year	(38,864)	(31,657)
Adjusted for:		
Amortisation of intangible assets	22,119	19,707
Depreciation of tangible fixed assets	14,736	12,813
Impairment of intangible assets	13,977	-
Interest expense	29,168	35,864
Loss on disposal of tangible fixed assets	9	-
Movement in fair value of derivatives	1,309	(331)
Taxation	(5,232)	(3,290)
	<u>37,222</u>	<u>33,106</u>
Changes in working capital		
Increase in stock	(112)	(79)
(Increase)/decrease in trade and other receivables	(6,150)	7,752
Decrease in trade and other payables	(547)	(2,660)
	<u>30,413</u>	<u>38,119</u>
Income tax received/(paid)	154	(1,044)
Net cash flow from operating activities	<u>30,567</u>	<u>37,075</u>
Cash flow from investing activities		
Acquisition of subsidiaries, net of cash acquired	(3,790)	(102,112)
Acquisition of tangible fixed assets	(37,078)	(18,533)
Proceeds on disposal of tangible fixed assets	27	344
Net cash flow from investing activities	<u>(40,841)</u>	<u>(120,301)</u>
Cash flow from financing activities		
Issue of ordinary share capital	-	42,085
Proceeds from new borrowings	26,357	286,776
Proceeds from finance leases	-	30,023
Repayment of borrowings	-	(248,985)
Repayment of finance leases	(76)	(100)
Finance fees paid	-	(7,802)
Interest paid	(22,008)	(20,444)
Net cash flow from financing activities	<u>4,273</u>	<u>81,553</u>
Net decrease in cash and cash equivalents	<u>(6,001)</u>	<u>(1,673)</u>
Cash and cash equivalents at beginning of the year	8,128	9,801
Cash and cash equivalents at end of the year	<u>2,127</u>	<u>8,128</u>

The prior year taxation amount has been restated. Refer to note 25 for further details.

The notes on pages 22 to 45 form part of these consolidated financial statements.

Elysium Healthcare Holdings 2 Limited
Consolidated statement of cash flows
For the year ended 31 December 2019 (continued)

Net debt reconciliation

	Interest rate swap derivative £'000	Borrowings £'000	Finance lease creditor £'000	Net debt £'000
At 1 January 2019	(1,413)	362,726	131,014	492,327
Issue of borrowings	-	26,357	-	26,357
Repayment of borrowings	-	-	(76)	(76)
Non-cash movements				
Fair value losses	1,309	-	-	1,309
Amortisation of finance fees	-	1,029	-	1,029
Unpaid interest on borrowings	-	6,131	-	6,131
At 31 December 2019	(104)	396,243	130,938	527,077

Elysium Healthcare Holdings 2 Limited
Notes to the consolidated financial statements
For the year ended 31 December 2019

1. General information

Elysium Healthcare Holdings 2 Limited ("the company") is a private company limited by shares incorporated in England and Wales under the Companies Act 2006. The address of the company's registered office is 2 Imperial Place, Maxwell Road, Borehamwood, Hertfordshire, WD6 1JN.

The company is the holding company of Elysium Healthcare Holdings 3 Limited and its subsidiaries (collectively, "the group"). The principal activity of the company is that of a holding company. The principal activity of the group is the provision of mental health services, including acute, secure, CAMHS, rehabilitation and neurological services predominantly to the National Health Services of England and Wales.

2. Basis of preparation

The consolidated and the individual financial statements of Elysium Healthcare Holdings 2 Limited have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland* ("FRS 102") and the Companies Act 2006.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value. The functional currency of the group is Pound Sterling as that is the currency of the primary economic environment in which the group operates. All amounts in these financial statements are presented in thousands of Pounds Sterling (£'000), unless otherwise stated.

The company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to presentation of a cash flow statement, remuneration of key management personnel and the company profit and loss account.

Note 15 lists the dormant subsidiaries of the group which have taken advantage of Sections 394A and 448A of the Companies Act 2006 from preparing and filing individual sets of accounts, as well as those subsidiaries of the group which were entitled to exemption from audit under Section 479A of the Companies Act 2006.

3. Going concern

The consolidated financial statements have been prepared on a going concern basis, which the directors consider to be appropriate, having given due consideration to current trading forecasts and the various facilities available to the group.

In making this assessment, the directors have taken into account the potential impact of the coronavirus pandemic. The group has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographical areas. There will always be a demand for mental healthcare; and with the group being within the healthcare industry (as opposed to other industries within the economy), the recent outbreak of the coronavirus pandemic is not expected to have a negative impact on the group's results. The National Health Service, the group's largest customer, has provided additional support to the group during this pandemic, and steps have been taken to bolster liquidity and reimburse Covid-19 related costs. Occupancy numbers continue to increase, and staffing levels have been maintained due to the large supply of agency workers to which the group has access. As a consequence, the directors believe that the group is well-placed to manage its business risks successfully despite the current uncertain economic outlook.

Elysium Healthcare Holdings 2 Limited
Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

3. Going concern (continued)

The group meets its day to day working capital requirements through cash generated from operations and its borrowing facilities. As at 31 December 2019, the group had a cash balance of £3.2 million. Drawn bank debt at year end was £313.1 million, which falls due for repayment on 30 April 2025. Subsequent to the year-end, £16 million was raised by way of a lease variation transaction and £9 million of the revolving credit facility has been drawn in order to bolster cash reserves and ensure adequate liquidity during the pandemic. The group will continue to invest in the estate over the next twelve months, including the completion of three new hospitals, but nevertheless forecasts the minimum cash balance to be £16 million at any given point in time over the next twelve month period

In considering the forecast trading performance of the group, the directors have considered the impact of the coronavirus pandemic. The assessment made recognises the inherent uncertainty associated with any forecasting at the present time, and, whilst the directors believe that trading performance will remain robust, the scenarios prepared have included consideration of the impact of, specifically, the following on the group's forecast trading performance; none of which resulted in any significant adverse impact thereon:

- Occupancy levels
- Availability of staff
- Any possible changes to the regulatory and legislative environment
- Business continuity as a result of non-clinical staff engaging in remote working
- Changes in credit risk and working capital (continuation of payment to terms and/or enhanced terms from funders)

In assessing the appropriateness of the going concern assumption, the directors have considered the ability of the group to meet the debt covenants. The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group is able to operate comfortably within the level of its current facilities and meet its debt covenant obligations.

Sensitivities have been modelled to understand the impact of the various risks outlined above on the group's debt covenants. EBITDA, for example, will need to drop by over 20% before engaging in any action to mitigate the decline in order to breach the leverage covenant. Given the current demand for services across the group at the date of this report, the assumptions in these sensitivities, when taking into account the factors set out above, are considered to be highly unlikely to lead to a debt covenant breach.

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future and that it remains appropriate to continue to adopt the going concern basis in preparing the annual report and financial statements.

4. Summary of significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied by all group entities in both 2019 and 2018, unless otherwise stated.

a) Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December each year.

Subsidiaries are entities controlled by the group and their results are consolidated from the date on which control passed. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power of the entity. Where necessary, accounting policies of subsidiaries have been aligned with the policies adopted by the group. All intra-group transactions, including any gains, losses, balances, incomes or expenses, are eliminated in full on consolidation.

Elysium Healthcare Holdings 2 Limited
Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

4. Summary of significant accounting policies (continued)

b) Business combinations and goodwill

Business combinations are accounted for using the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities, unless the fair value cannot be measured reliably in which case the value is incorporated in goodwill.

Intangible assets acquired as part of a business combination in 2016 were measured at fair value at the acquisition date and amortised over its estimated useful economic life. As a result of GAAP guidance issued in 2017, intangible assets are no longer recognised on business combinations undertaken since 1 January 2017.

Goodwill, arising on the acquisition of subsidiary undertakings and businesses, represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

During the year, management changed the way that the group's cash-generating units are identified. It had previously been determined that the group had one cash-generating unit; management have now determined each hospital site to be a separate cash-generating unit. The reason for the change is a consequence of the number of acquisitions which the group has undertaken since its original formation, which has resulted in more services being provided, multiple independent revenue streams and cash inflows, and the necessity to structure internal management reporting to being that on a site-by-site basis.

Goodwill is amortised on a straight line basis over its useful economic life, which is 20 years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement.

c) Intangible assets: customer relationships

Customer relationships are assets acquired as part of the 2016 business combination, which were measured at fair value at the acquisition date. These assets have a finite useful life and are amortised in equal annual instalments over a period of 20 years, which is their estimated useful economic life. For the acquisitions in the current year, the directors decided to adopt the FRC amendments published in December 2017 permitting the group not to recognise customer relationships separately from goodwill.

d) Turnover

Turnover represents the supply of services including, bed fees, observation fees, training fees and is stated net of VAT, rebates and trade discounts and represents the value of services provided and delivered under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Turnover received in advance is included in deferred income until the service is provided. Turnover in respect of services provided but not yet invoiced by the year end is included within accrued income.

Elysium Healthcare Holdings 2 Limited
Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

4. Summary of significant accounting policies (continued)

e) Tangible fixed assets

Tangible assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided and recognised in the profit and loss account on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

- Freehold buildings 50 years
- Leasehold land and buildings Term of lease
- Plant and machinery 7 to 10 years
- Motor vehicles 4 years
- Fixtures and fittings 5 to 10 years
- Computer equipment 3 to 7 years

Assets in the course of construction represent the direct costs of purchasing, constructing and installing property, plant and equipment ahead of their productive use.

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset, and is recognised in the profit and loss account.

f) Leases

In 2016 the group entered into a number of sale and leaseback arrangements for the disposal of the freehold land and at the same time entered into a 125 year term finance lease for the buildings and an operating lease of the same term for the rental of the land. In 2018 the group entered into a number of sale and leaseback arrangements for the disposal of the freehold land and at the same time entered into a 125 year term finance lease for the buildings. The resulting profits arising on these disposals of the freehold land were recognised in the profit and loss account. The apportionment of the disposal proceeds between the freehold land interests and the buildings was based upon external professional valuation advice and upon which the fair values were based at the time the group acquired its respective interests in subsidiary undertakings.

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Elysium Healthcare Holdings 2 Limited
Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

4. Summary of significant accounting policies (continued)

g) Financial instruments

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions of being 'basic' financial instruments as defined in paragraph 11.9 of FRS 102 are subsequently measured at amortised cost using the effective interest method.

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Other debt instruments not meeting conditions of being 'basic' financial instruments are measured at fair value through profit and loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when:

- the contractual rights to the cash flows from the financial asset expire or are settled,
- the group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or
- the group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Investments

Investments in subsidiaries are measured at cost less impairment.

Debtors

Debtors are initially measured at transaction price including any transaction costs and subsequently measured at amortised cost using the effective interest method, less any impairment losses, and are assessed for indicators of impairment at each balance sheet date.

Elysium Healthcare Holdings 2 Limited
Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

4. Summary of significant accounting policies (continued)

g) Financial instruments (continued)

Equity instruments

Equity instruments issued by the company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

Derivative financial instruments

The group uses derivative financial instruments to reduce exposure to interest rate movements. The group does not hold or issue derivative financial instruments for speculative purposes. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit and loss immediately.

h) Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units ("CGU") of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis.

Where indicators exist for a decrease in impairment loss previously recognised for assets other than goodwill, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is first applied to the assets of the CGU, except for goodwill, on a pro-rata basis. Impairments of goodwill are never reversed.

Financial assets

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Elysium Healthcare Holdings 2 Limited
Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

4. Summary of significant accounting policies (continued)

i) Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on specialist independent tax advice.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the group is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. In other cases, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset only if:

- the group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Elysium Healthcare Holdings 2 Limited
Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

4. Summary of significant accounting policies (continued)

j) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is calculated using the FIFO (first-in, first-out) method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

k) Borrowing costs

All borrowing costs are recognised in the profit and loss account during the period in which they are incurred.

l) Employee benefits

The group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

Short-term benefits

Short-term benefits, including holiday pay and other similar non-monetary benefits are recognised as an expense in the period in which the service is received.

Pensions

The group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid, the group has no further payment obligations. The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the group in independently administered funds.

m) Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4. Summary of significant accounting policies (continued)

n) Critical accounting estimates and judgements

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group and company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed within the accounting policies.

The following is the only significant critical judgement, apart from judgements involving estimations (which are dealt with separately below), that the directors have made in the process of applying group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Cash-generating units

FRS 102 does not provide specific guidance about how to allocate goodwill arising from business combinations to cash-generating units. A cash-generating unit is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Significant judgement exists in determining both the actual cash-generating units and the methods of allocating goodwill to such cash-generating units. As detailed in notes 4 (b) and 12, the group changed the way in which the group's cash-generating units are identified during the current year.

Impairment reviews

FRS 102 requires management to test for impairment of goodwill, intangible assets and tangible assets if events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. All of the group's cash generating units (refer note 12) were assessed for indicators of impairment. Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made, including EBITDA growth expectations, long-term growth rates and discount rates to be used. The long-term growth rate and discount rate which management have calculated for use in its net present value calculations are 2% and 7.5% respectively.

o) Key sources of estimation uncertainty

In preparing the financial statements, the directors are required to make estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results and could result in a change to the estimates in the next or future financial years. Management have assessed that there are no material sources of uncertainty.

Elysium Healthcare Holdings 2 Limited
Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

5. Turnover

All of the group's turnover is attributable to the provision of healthcare services undertaken in the United Kingdom. The group has only one class of business.

6. Operating (loss)/profit

The following items have been charged in arriving at operating (loss)/profit:

	2019	2018
	£'000	£'000
Amortisation of intangible assets	22,119	19,707
Depreciation of tangible fixed assets	14,736	12,813
Impairment of intangible assets	13,977	-
Loss on disposal of tangible fixed assets	9	-
Operating lease rentals	3,023	2,922

7. Auditor's remuneration

	2019	2018
	£'000	£'000
Fees payable to the group's auditor for the audit of the group's annual accounts	341	324
Fees payable to the group's auditor for non-audit services	30	580
	<u>371</u>	<u>904</u>

Elysium Healthcare Holdings 2 Limited
Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2019	2018
	£'000	£'000
Wages and salaries	141,910	117,653
Social security costs	12,820	10,421
Defined contribution scheme contributions	3,524	2,208
	158,254	130,282

The average number of employees, including directors, was as follows:

	2019	2018
	Number	Number
Operations	4,748	3,723
Administration	1,379	990
	6,127	4,713

9. Directors' remuneration

	2019	2018
	£'000	£'000
Emoluments	1,050	1,252
Compensation for loss of office	-	263
Defined contribution scheme contributions	-	26
	1,050	1,541

Defined contribution scheme contributions were made to no directors during the year (2018: one). The highest paid director in the year received remuneration of £400,000 (2018: £431,000) and no accrued pension provision (2018: £nil).

10. Interest payable and similar expenses

	2019	2018
	£'000	£'000
Interest payable on bank loans	17,529	15,916
Interest payable on loan notes	6,131	5,641
Interest payable on finance leases	4,461	3,607
Amortisation of finance arrangement fees	1,029	9,779
Loss/(gain) on interest rate derivative	1,309	(331)
Other interest	18	921
	30,477	35,533

Elysium Healthcare Holdings 2 Limited
Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

11. Taxation

The major components of the income tax credit are as follows:

	2019 £'000	(Restated) 2018 £'000
Current tax		
Current year	3,524	2,857
Adjustments for prior periods	(670)	237
	<u>2,854</u>	<u>3,094</u>
Deferred tax		
Origination and reversal of temporary differences	(6,275)	(6,574)
Adjustments for prior periods	(1,537)	204
Change in tax rate	(274)	(14)
	<u>(8,086)</u>	<u>(6,384)</u>
	<u>(5,232)</u>	<u>(3,290)</u>

The standard rate of UK corporation tax is 19% (2018: 19%). The tax rate decreases to 17% on 1 April 2020. There is no expiry date on timing differences, unused tax losses or tax credits.

A reconciliation between the tax credit and the accounting loss multiplied by the tax rate of 19% (2018: 19%) is as follows:

	2019 £'000	(Restated) 2018 £'000
Loss on ordinary activities before tax	<u>(44,096)</u>	<u>(34,947)</u>
Loss at the standard UK corporation tax rate of 19% (2018: 19%)	(8,378)	(6,640)
Effects of:		
Expenses not deductible for tax purposes	3,038	7,900
Adjustments for prior periods	(2,207)	441
Depreciation on non-qualifying fixed assets	2,144	1,684
Income not subject to tax	(3)	-
Unrecognised deferred tax	-	53
Adjustments to tax rates	448	4
Increase in estimate of recoverable deferred tax asset	(274)	(6,732)
	<u>(5,232)</u>	<u>(3,290)</u>

The prior year deferred tax amount has been restated. Refer to note 25 for further details.

Elysium Healthcare Holdings 2 Limited
Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

12. Intangible fixed assets

Group	Customer relationships £'000	Goodwill £'000	Total £'000
Cost			
At 1 January 2019	128,400	308,093	436,493
Additions	-	4,239	4,239
At 31 December 2019	128,400	312,332	440,732
Accumulated amortisation			
At 1 January 2019	(13,375)	(22,354)	(35,729)
Amortisation charge for the year	(6,420)	(15,699)	(22,119)
Impairment charge during the year	(3,288)	(10,689)	(13,977)
At 31 December 2019	(23,083)	(48,742)	(71,825)
Net book value			
At 31 December 2019	<u>105,317</u>	<u>263,590</u>	<u>368,907</u>
At 31 December 2018	115,025	285,739	400,764

During the year, management changed the way that the group's cash-generating units are identified. It had previously been determined that the group had one cash-generating unit; management have now determined each hospital site to be a separate cash-generating unit. The reason for the change is a consequence of the number of acquisitions which the group has undertaken since its original formation, which has resulted in more services being provided, multiple independent revenue streams and cash inflows, and the necessity to structure internal management reporting to being that on a site-by-site basis.

During the group's annual goodwill impairment review, it was noted that goodwill relating to five cash-generating units/sites needed to be impaired. The impairment charge incurred during the year was £13,977,000 (2018: £nil).

The additions during the year of £4,239,000 comprise contingent consideration amounts paid in respect of prior year acquisitions.

Elysium Healthcare Holdings 2 Limited
Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

13. Tangible fixed assets

Group	Fixtures & fittings £'000	Land & buildings £'000	Plant & machinery £'000	Motor vehicles £'000	Computer equipment £'000	Total £'000
Cost						
At 1 January 2019	25,309	213,100	8,107	1,151	5,817	253,484
Additions	2,113	26,085	6,122	382	2,376	37,078
Disposals	(1,233)	(7)	(98)	(96)	(263)	(1,697)
At 31 December 2019	<u>26,189</u>	<u>239,178</u>	<u>14,131</u>	<u>1,437</u>	<u>7,930</u>	288,865
Accumulated depreciation						
At 1 January 2019	(8,850)	(6,632)	(1,669)	(463)	(1,507)	(19,121)
Depreciation charge for the year	(4,273)	(6,737)	(1,858)	(334)	(1,534)	(14,736)
Disposals	1,222	7	97	80	255	1,661
At 31 December 2019	<u>(11,901)</u>	<u>(13,362)</u>	<u>(3,430)</u>	<u>(717)</u>	<u>(2,786)</u>	(32,196)
Net book value						
At 31 December 2019	<u>14,288</u>	<u>225,816</u>	<u>10,701</u>	<u>720</u>	<u>5,144</u>	256,669
At 31 December 2018	16,459	206,468	6,438	688	4,310	234,363

The net book value of land and buildings is £225,816,000 (2018: £206,468,000). Of this amount, £111,330,000 (2018: £100,393,000) is freehold and £114,486,000 (2018: £106,075,000) is long leasehold. Land and buildings with a net book value of £114,486,000 (2018: £106,075,000) and motor vehicles with a net book value of £nil (2018: £119,000) are held under finance leases.

14. Derivative financial instruments

	2019 Group £'000	2018 Group £'000
Interest rate swap contracts	<u>104</u>	<u>1,413</u>

The fair value of the interest rate swap contracts is calculated as the present value of the estimated future cash flows based on observable yield curves. These swaps relates to bank loans and are hedged until 31 December 2020. There are no material terms and conditions that may affect the amount, timing and certainty of future cash flows.

Elysium Healthcare Holdings 2 Limited
Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

15. Fixed asset investments

Fixed asset investments comprise the company's investment in its subsidiary company, Elysium Healthcare Holdings 3 Limited.

	2019	2018
	Company	Company
	£'000	£'000
At beginning of the year	120,720	78,635
Additions	-	42,085
At end of the year	<u>120,720</u>	<u>120,720</u>

The company's investments in subsidiaries are as follows:

Subsidiary	Principal activity	Notes (refer below)
Incorporated in England and Wales; all 100% owned		
Care Progress Limited	Holding company	2,3
Castle Road Homes Limited	Property holding company	2,3
Celtic Resource Management Limited	Holding company	2,3
Darlington Neurological Care Centre Limited	Healthcare services	2,3
Elysium Care Partnerships Limited	Healthcare services	2,3
Elysium Care Partnerships No.2 Limited	Healthcare services	2,3
Elysium Healthcare (Acorn Care) Limited	Healthcare services	2,3
Elysium Healthcare (All Saints) Limited	Healthcare services	2
Elysium Healthcare (Ann House) Limited	Healthcare services	2,3
Elysium Healthcare (Farndon) Limited	Healthcare services	2,3
Elysium Healthcare (Field House) Limited	Healthcare services	2,3
Elysium Healthcare (Gregory House) Limited	Healthcare services	2,3
Elysium Healthcare (Healthline) Limited	Healthcare services	2,3
Elysium Healthcare (Lighthouse) Limited	Holding company	2,3
Elysium Healthcare (Phoenix) Limited	Healthcare services	2,3
Elysium Healthcare (St Mary's) Limited	Healthcare services	2
Elysium Healthcare (Ultimate Care) Limited	Holding company	2
Elysium Healthcare Holdings 3 Limited	Holding company	1
Elysium Healthcare LC Limited	Holding company	2,3
Elysium Healthcare Limited	Healthcare services	2,3
Elysium Healthcare No. 2 Limited	Healthcare services	2,3
Elysium Healthcare No. 3 Limited	Healthcare services	2,3
Elysium Healthcare No. 4 Limited	Healthcare services	2,3
Elysium Healthcare No. 5 Limited	Holding company	2,3
Elysium Healthcare No. 6 Limited	Holding company	2,3
Elysium Healthcare Property 1 Limited	Property holding company	2,3
Elysium Healthcare Property 2 Limited	Property holding company	2,3
Elysium Healthcare Property 3 Limited	Property holding company	2,3
Elysium Healthcare Property 4 Limited	Property holding company	2,3
Elysium Healthcare Property 5 Limited	Property holding company	2,3
Elysium Healthcare Property 6 Limited	Property holding company	2,3

Elysium Healthcare Holdings 2 Limited
Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

15. Fixed asset investments (continued)

The company's investments in subsidiaries are as follows (continued):

Subsidiary	Principal activity	Notes (refer below)
Incorporated in England and Wales; all 100% owned (continued)		
Elysium Healthcare Property 7 Limited	Property holding company	2,3
Elysium Healthcare Property 8 Limited	Property holding company	2,3
Elysium Neurological Services (Adderley) Limited	Healthcare services	2,3
Elysium Neurological Services (Badby) Limited	Healthcare services	2,3
Elysium Neurological Services Limited	Holding company	2,3
Focus on Care Recruitment Limited	Healthcare services	2
Imeus Limited	Dormant	2,3
Lighthouse Healthcare Group Limited	Holding company	2,3
London Care Partnership (Supported Living) Limited	Dormant	2,3
London Care Partnership Community Care Limited	Dormant	2,3
Pendarren Court Limited	Property holding company	2,3
St George Healthcare Limited	Healthcare services	2
Stanley House Limited	Healthcare services	2,3
The Bridge Care Centre Limited	Dormant	2,3
The Chimneys Healthcare Partnership Limited	Holding company	2,3
The Chimneys Limited	Healthcare services	2,3
Incorporated in Luxembourg; all 100% owned		
Badby Properties (Darlington) S.à.r.l.	Property holding company	2
Badby Properties (Middlesbrough) S.à.r.l.	Property holding company	2
Badby Stoke (Care Homes) Property S.à.r.l.	Property holding company	2
Badby Stoke (Care Homes 2) Property S.à.r.l.	Property holding company	2
Sunflower Property S.à.r.l.	Property holding company	2

Notes

- (1) Held directly by Elysium Healthcare Holdings 2 Limited
- (2) Held indirectly by Elysium Healthcare Holdings 2 Limited
- (3) Entities which have taken a subsidiary guarantee from Elysium Healthcare Holdings 2 Limited and have taken the audit exemption under section 479A of the Companies Act 2006

The registered address of all subsidiaries incorporated in England and Wales is 2 Imperial Place, Maxwell Road, Borehamwood, WD6 1JN. The registered address of all subsidiaries incorporated in Luxembourg is 29 Avenue de la Porte Neuve, L-2227 Luxembourg.

Elysium Healthcare Holdings 2 Limited
Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

16. Debtors: amounts falling due after more than one year

	2019	2019	2018	2018
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Amounts owed by group companies	-	88,550	-	82,419
Indemnification asset	1,100	-	1,100	-
	<u>1,100</u>	<u>88,550</u>	<u>1,100</u>	<u>82,419</u>

The amounts owed by group companies comprise loan notes owed by Elysium Healthcare Holdings 3 Limited, the company's subsidiary company. The loan notes are unsecured and fall due on 30 November 2026. The loan notes are made up of two tranches:

- Tranche 1 (£25,733,000): interest is payable at 10% per annum
- Tranche 2 (£47,986,000): interest is payable at LIBOR + 5.25%

For both tranches, interest accrues on a daily basis and, if unpaid, it is capitalised on the last day of each financial year. The interest during the year totalled £6,131,000 (2018: £5,641,000).

The indemnification asset of £1,100,000 (2018: £1,100,000) relates to the management's judgement of economic inflows that are expected to occur in respect of two of the group's acquisitions: Elysium Healthcare (Farndon) Limited and Elysium Care Partnerships No. 2 Limited.

17. Stock

	2019	2018
	Group	Group
	£'000	£'000
Food, pharmaceuticals and other consumables	<u>443</u>	<u>331</u>

Stock recognised in cost of sales during the year as an expense was £5,270,000 (2018: £4,489,000). There was no evidence of stock obsolescence during the year.

Elysium Healthcare Holdings 2 Limited
Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

18. Debtors: amounts falling due within one year

	2019	2018
	Group	Group
	£'000	£'000
Trade debtors	14,036	16,283
Prepayments	6,108	3,704
Accrued income	7,991	3,469
Other debtors	1,837	647
	<u>29,972</u>	<u>24,103</u>

19. Creditors: amounts falling due within one year

	2019	2019	2018	2018
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Trade creditors	5,261	-	6,826	-
Amount owed to group company	-	85	-	85
Short-term lease creditors	4,634	-	4,422	-
Accruals	10,264	-	7,027	32
Deferred income	838	-	2,364	-
Corporation tax	4,142	-	1,134	-
Social security and other taxes	4,094	-	3,413	-
Other creditors	2,735	-	1,914	-
	<u>31,968</u>	<u>85</u>	<u>27,100</u>	<u>117</u>

The amount owed to a group company is owed by the company to Elysium Healthcare Limited, an indirect subsidiary. The amount is unsecured, interest free and repayable on demand.

Elysium Healthcare Holdings 2 Limited
Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

20. Creditors: amounts falling due after more than one year

	2019	2019	2018	2018
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Amounts owed to group companies	88,550	88,550	82,419	82,419
Bank borrowings	313,133	-	286,776	-
Long-term lease creditors	126,304	-	126,592	-
Less: unamortised loan costs	(5,439)	-	(6,468)	-
	<u>522,548</u>	<u>88,550</u>	<u>489,319</u>	<u>82,419</u>

Amounts owed to group companies

The amounts owed to group companies comprise loan notes owed to Elysium Healthcare Holdings 1 Limited, the parent company. The loan notes are unsecured and fall due on 30 November 2026. The loan notes are made up of two tranches:

- Tranche 1 (£25,733,000): interest is payable at 10% per annum
- Tranche 2 (£47,986,000): interest is payable at LIBOR + 5.25%

For both tranches, interest accrues on a daily basis and, if unpaid, it is capitalised on the last day of each financial year. The interest accrued during the year totalled £6,131,000 (2018: £5,625,000).

Bank borrowings

The group has the following available borrowing facilities: a £275,000,000 Term B Facility and a £55,000,000 Revolving Credit Facility. Interest is payable on the Term B Facility in arrears at a rate of LIBOR + 5.25%. The terms of the Term B Facility require the group to meet a certain leverage ratio.

As at 31 December 2019, £46,000,000 (2018: £20,000,000) was drawn on the Revolving Credit Facility. Interest is payable in arrears at a rate of LIBOR + 4.50%.

All the facilities fall due for repayment on 30 April 2025 and are secured by a fixed and floating charge over the assets of the group.

Elysium Healthcare Holdings 2 Limited
Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

20. Creditors: amounts falling due after more than one year (continued)

Long-term lease creditors

Finance leases are repayable as follows:

	2019	2018
	Group	Group
	£'000	£'000
Minimum lease payments		
Within one year	4,634	4,422
Between two and five years	18,538	17,795
After five years	540,324	522,812
	<u>563,496</u>	<u>545,029</u>
Less: future finance charges	(432,558)	(414,015)
	<u>130,938</u>	<u>131,014</u>
Present value of minimum lease payments		
Within one year	4,477	4,273
Between two and five years	16,749	15,825
After five years	109,712	110,916
	<u>130,938</u>	<u>131,014</u>
Finance lease creditors		
Within one year (refer note 19)	4,634	4,422
After more than one year	126,304	126,592
	<u>130,938</u>	<u>131,014</u>

Elysium Healthcare Holdings 2 Limited
Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

21. Provisions for liabilities

Group	Dilapidations £'000	Legal claims £'000	(Restated) Deferred tax £'000	(Restated) Total £'000
At 1 January 2019 - as originally reported	3,800	4,195	78,162	86,157
Prior year restatement (note 25)	-	-	(6,732)	(6,732)
At 1 January 2019 - as restated	3,800	4,195	71,430	79,425
Utilisation of provisions	(374)	(1,178)	(8,561)	(10,113)
At 31 December 2019	3,426	3,017	62,869	69,312

Dilapidations

The dilapidations provision is based on management's estimates of dilapidation amounts to be paid in respect of new sites acquired.

Legal claims

The legal claims provision, which excludes VAT on legal costs, is based on management's estimates of the liability which is not covered by insurance. It predominantly relates to historical and ongoing employer liability claims.

Deferred tax

The deferred tax liability is made up of the following:

	2019 Group £'000	(Restated) 2018 Group £'000
Accelerated capital allowances	32,152	34,002
Intangible assets: customer relationships	17,935	19,585
Short-term timing differences	2,320	1,621
Corporate interest restriction excess deductions	(10,647)	(6,732)
Chargeable gains held/rolled over	21,109	22,954
	62,869	71,430

The prior year deferred tax liability has been restated. Refer to note 25 for further details.

Deferred tax assets and liabilities are only offset when the group has a legally enforceable right to do so. The group does not expect the amount of the reversal of deferred tax liabilities during 2020 to be significantly different to the current year.

Elysium Healthcare Holdings 2 Limited
Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

22. Financial instruments

	2019 Group £'000	2018 Group £'000
Financial assets		
Financial assets measured at fair value through profit and loss	<u>104</u>	<u>1,413</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>307,694</u>	<u>280,308</u>

Financial assets measured at fair value through profit and loss comprise interest rate swap derivatives. Trade debtors, other debtors, accrued income and amounts payable by group undertakings are undiscounted amounts receivable. Trade creditors, other creditors, lease creditors, taxation liabilities, accruals and amounts payable to group undertakings are undiscounted amounts payable.

23. Share capital

	2019 £'000	2018 £'000
Allotted, called up and fully paid		
120,720,000 (2018: 120,720,000) ordinary shares of £1 each	<u>120,720</u>	<u>120,720</u>

The company has one class of ordinary shares which carry no right to fixed income. During the year, the company issued nil (2018: 42,085,000) ordinary shares with a nominal value of £nil (2018: £42,085,000) for total consideration of £nil (2018: £42,085,000).

24. Reserves

Profit and loss account

The profit and loss account includes all current and prior year profits and losses.

Elysium Healthcare Holdings 2 Limited
Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

25. Prior year restatement

During the current year, a deferred tax asset has been identified in respect of corporate interest restriction excess deductions which it is probable can be recovered against taxable temporary differences. These deductions arose in both the current year and the prior year period, however, no deferred tax asset was recognised in the prior period. Accordingly, an adjustment has been made to correctly recognise the deferred tax asset at 31 December 2018.

The effect on the prior year tax (expense)/credit, deferred tax and profit and loss account is as follows:

	Tax (expense)/ credit £'000	Deferred tax £'000	Profit and loss account £'000
As originally reported	(3,442)	78,162	(53,094)
Adjustment	6,732	(6,732)	6,732
As restated	<u>3,290</u>	<u>71,430</u>	<u>(46,362)</u>

26. Capital commitments

Capital commitments, which relate to building or refurbishment projects which have been contracted for but not yet received, total £14,988,000 at 31 December 2019 (2018: £13,478,000). The commitments will be financed internally.

27. Pension commitments

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge of £3,524,000 (2018: £2,208,000) represents contributions paid by the group to the fund during the year, of which £245,000 (2018: £224,000) remains payable to the fund at the balance sheet date and is included in creditors.

28. Operating lease commitments

As at 31 December 2019, the group had the following minimum lease commitments under non-cancellable operating leases:

	2019 Group £'000	2018 Group £'000
Within one year	1,445	1,370
Between two and five years	5,779	5,479
After five years	170,483	161,626
	<u>177,707</u>	<u>168,475</u>

Elysium Healthcare Holdings 2 Limited
Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

29. Post balance sheet events

Subsequent to year end, the group raised £16 million by way of a lease variation transaction. There are no other post balance sheet events which require disclosure or adjustment between 31 December 2019 and the date of the signing of the financial statements.

30. Related parties

The group has subscribed to loan notes issued by its immediate parent undertaking. The amount outstanding is disclosed in note 20.

Note 9 details remuneration paid to directors.

The company has issued loan notes to its subsidiary, Elysium Healthcare Holdings 3 Limited, as detailed in note 16. Note 19 details further related party balances in respect of the company.

31. Controlling party

The immediate parent undertaking is Elysium Healthcare Holdings 1 Limited with registered office at 2 Imperial Place, Maxwell Road, Borehamwood, WD6 1JN.

The ultimate parent undertaking is P Health S.à.r.l., a company incorporated in Luxembourg with registered address at 29 Avenue de la Porte Neuve, L-2227 Luxembourg, which is controlled by funds advised by BC Partners LLP.

At the year end the largest and smallest group in which the results of the company are consolidated is that headed by Elysium Healthcare Holdings 1 Limited, incorporated in England and Wales. The address of the registered office of Elysium Healthcare Holdings 1 Limited is 2 Imperial Place, Maxwell Road, Borehamwood, WD6 1JN, where the consolidated financial statements of Elysium Healthcare Holdings 1 Limited may be obtained.